



# CITY OF PHILADELPHIA

WATER DEPARTMENT  
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Philadelphia, PA 19107-2994

RANDY E. HAYMAN, Esq.  
Water Commissioner

March 30, 2021

Honorable Darrell Clarke  
City Council President  
City Hall, Room 494  
Philadelphia, PA 19107

Dear Council President Clarke:

The Philadelphia Water Department's need for additional revenue, above what can be provided by the existing rate structure, is well-documented in the rate filing pending review by the Philadelphia Water, Sewer and Storm Water Rate Board ("Rate Board").

It is important to note that the Department submitted to increase rates in January 2020. At that time, the average residential bill was projected to increase 8.4% on September 1, 2020 and an additional 6.2% on September 1, 2021. The Department withdrew that request in May 2020 due to the COVID-19 pandemic. Having taken the above action, the Department had no choice but to file for rate relief earlier this year.

To be clear, the Department required additional revenues to meet its expenses before the COVID-19 pandemic. The impacts of the COVID-19 pandemic only increased the need for a rate increase that existed before.

As we have noted in our rate filing, the Department is requesting rate relief because it needs additional revenues to:

- address changes in consumption patterns and collection rates,
- maintain existing service levels,
- fund its ongoing capital improvement program, and
- replenish the Department's depleted financial reserves.

Please note that the Department made a request to the Kenney Administration for an allocation of funding and support in connection with the American Rescue Plan Act (ARPA) Coronavirus Local Fiscal Recovery Fund to offset revenue losses associated with the COVID-19 pandemic. However, the Administration has determined that all of the anticipated funding that the City will receive from the Coronavirus Local Fiscal Recovery Fund through the ARPA will go to the City's General Fund to offset substantial deficits in the General Fund in both Fiscal Year 2021 and Fiscal Year 2022.

In response to our request, the Administration has pledged a series of actions that they will take to help the Water Fund. The Department will work closely with the Administration and outside partners to determine how to access the ARPA funding administered by the Department of Health and Human Services to reduce arrearages for low-income households. However, we believe accessing these funds may require direct action by individual customers; therefore, determining the amount of potential funding for the Department is challenging.

The Administration has also pledged support to the Department as it applies for grants or other funding under ARPA for water and wastewater improvements. Nevertheless, with lengthy application and processing periods, these funds would not benefit the Department's Fiscal Year 2022 and 2023 budgets that are the subject of the current rate proceeding.

Most significantly, and independent from ARPA, as a result of a preliminary analysis for the reallocation of pension costs among the City's various funds, the Finance Department plans to reduce the amount the Water Fund contributes to the Pension Fund by some \$25 million annually starting in Fiscal Year 2022.

While this change will not eliminate the need for a rate increase, it will help reduce the scale of the needed increase at this time. Also, as noted, this anticipated reduction is annual for the foreseeable future and will help mitigate the Department's workforce costs in the long-term.

The information summarized above will be provided to the Rate Board and will likely trigger settlement discussions, at the direction of the hearing officer.

Lastly, the Department also pledges to continue promotion of our existing customer assistance programs, including the Tiered Assistance Program (TAP) and senior citizen discount. We are working with our partners in the community to connect with customers in need and are developing campaigns to inform residents of new resources, such as Philadelphia Housing Development Corporation's Phase 4 Rental Assistance Program.

We ask for City Council's support in ensuring every eligible customer applies for both existing assistance and any new help that may become available through COVID-19 recovery legislation.

The Philadelphia Water Department remains strongly committed to our driving mission of delivering safe, clean water to homes and businesses in the City of Philadelphia, managing the city's wastewater system, and reducing pollution through stormwater management. Reliable access to these essential services is the foundation of public health in Philadelphia and cannot be shortchanged.

Respectfully,



Randy E. Hayman, Esq.  
Water Commissioner

cc: Members of City Council  
Members of the Water, Sewer, and Storm Water Rate Board